

Problem 1: Free market fallacies and the hidden costs of capitalism.

(509 Words)

Free markets are supposed to generate healthy economic competition and encourage strong economic activity. In addition, free markets claim that through rational decision-making, supply and demand will meet at equilibrium to create a fair market price. On paper, free markets seem to yield optimal economic results; however, in reality, free markets yield numerous externalities, imbalances in power, and monopolization. So what is the major flaw of free market economies and pure capitalism? The answer is simple: humans do not act rationally, at least not all the time.

Biologically speaking, humans are not capable of making fully rational decisions. Hormones, stress, social pressures, and emotion frequently make rational decision making infeasible. As a result, decisions regarding corporate capitalism yield numerous externalities, effecting both the environment and society. Environmental externalities encompass almost any problem we have discussed in class; pollution, resource exploitation, excess waste, etc. Just as importantly, free markets have an adverse effect on the general population. The reality of free markets is that they create a strong imbalance of wealth and power. This imbalance triggers various social and political problems. Free markets exploit not only natural resources, but also human resources, by utilizing the cheapest labor possible. Making it difficult for the average individual to obtain a relatively fair and equal standard of living.

A very worrisome problem is how many governments and legal systems favor businesses producing economic activity over general social wellbeing. Specifically in the United States, corporations are protected by measures such as limited liability. Corporations further protect themselves by having strong legal teams and the money to cause individuals and to “bleed out” of lawsuits. The power created by free markets is daunting. Businesses become so large that influence over nearly all third parties. Instead of creating healthy competition, capitalism and free markets in their purest form encourage monopolization. Large multinational corporations have politicians on a leash. Lobbyists constantly work to eradicate the few laws and regulations governing economic activity.

Overall, free markets and unrestricted capitalism can be detrimental to the economy, the environment, and society as a whole. Free markets encourage explosive growth at the cost of third parties. The current state of politics and the legal system in the United States allow large multinational businesses to easily bypass the already weak anti-trust laws. Free markets encourage risky and exploitive behavior. Most importantly, free markets do not take into consideration all costs. So what could solve such a large problem? Surprisingly, the answer is not just regulation.

There will always be loopholes and ways to manipulate politicians and the legal system. Currently the best solution to free market externalities is increased transparency, accountability, and enforcement. Consumers and government enforcement agencies must have a clear view of all economic activity. Creating a balance of information is the first step towards having a sustainable economy. Secondly, the government must increase its oversight and enforcement agencies, forcing businesses and individuals to be accountable for decisions. The balance of wealth and power can be restored with informed citizens.

Problem 1 Bibliography Annotations

1. Klein, Naomi. *The Shock Doctrine: The Rise of Disaster Capitalism*. Toronto: Alfred A. Knopf Canada, 2007. Web.
 - Naomi Klein is a Canadian author and social activist. She has written numerous books on anti-globalization and anti-war. Klein studied at the University of Toronto. The underlying theme of the book is how free market economies have been forced upon nations and have had adverse effects on society, the environment, and the economy. Klein makes her argument through providing historical examples of how free markets were forced upon nations, the problems that free markets yield, and possible solutions to the problem. The following three quotes summarize Kleins critical points: "The parties with the most gain never show up on the battlefield.", "What we have been living for three decades is frontier capitalism, with the frontier constantly shifting location from crisis to crisis, moving on as soon as the law catches up. ", "Regardless of the overall state of the economy, there is now a large enough elite made up of new multi-millionaires and billionaires for Wall Street to see the group as "superconsumers," able to carry consumer demand all on their own.". For obvious reasons the text directly supports my reports conclusion. The two main details I used from Kleins work are her opinions on the imbalance of wealth and power created by free markets, and her opinion on how free markets yield externalities.
2. Bechtold, Joe. "Problems with Free Market Ideology." *OpEdNews*. N.p., 31 Oct. 2008. Web. 01 Nov. 2012. <<http://www.opednews.com/articles/Problems-with-Free-Market-by-Joe-Bechtold-081030-929.html>>.
 - Joe Bechtold, which is likely a pen name, is an anonymous writer on OpEdNews. He has written numerous articles regarding modern day problems in economics and politics. The central point of this article is to highlights the fallacies of free market thought. Bechtold explains the argument made by free market thinkers, compares and contrasts government provided services to services provided by businesses, and explains why it is not feasible to have the economy separate from the government. The following quotes highlight Bechtolds main points: "The "free market" has failed on all fronts. The belief that government and the market can be separate is not feasible. Even if it could be separate it truly wouldn't be free as nothing will stop monopolies from forming.", "As the financial world has collapsed all around us we are faced with astounding evidence that not only is free market capitalism a failure, it can bring a country to the brink of destruction. ", "Lastly and most importantly this failed ideology has yet to produce one real world example of how the system could be implemented to the benefit of the many rather than the few." I used Bechtolds comments on monopolies and the relationships between the market and government as points in my report. Similar to my view, Bechtold believes government must have a strong relationship to the market.

3. Krugman, Paul. "How Did Economists Get It So Wrong?" *The New York Times*. The New York Times, 06 Sept. 2009. Web. 01 Nov. 2012.

<<http://www.nytimes.com/2009/09/06/magazine/06Economic-t.html?pagewanted=all>>.

- Paul Krugman is a columnist at the NY Times and Professor of Economics at Princeton. He received his bachelors degree at Yale and his PHD at MIT. Krugman has taught at Yale, MIT, and Stanford previous to his current positions. Krugman was a Nobel Prize winner in 2008. Paul's main point talks about how the majority of economists neglected to address the flaws in market economies. Economists in the last several decades have been so obsessed with the beauty of revolutionary equations and have neglected to address reality. Krugman talks about the history of economics in the United States, the modern day problems in economics, and what economists can do to correct the problem created. The following quotes are good examples of his points: "As I see it, the economics profession went astray because economists, as a group, mistook beauty, clad in impressive-looking mathematics, for truth.", "Until the Great Depression, most economists clung to a vision of capitalism as a perfect or nearly perfect system. That vision wasn't sustainable in the face of mass unemployment, but as memories of the Depression faded, economists fell back in love with the old, idealized vision of an economy in which rational individuals interact in perfect markets, this time gussied up with fancy equations.", "Unfortunately, this romanticized and sanitized vision of the economy led most economists to ignore all the things that can go wrong. They turned a blind eye to the limitations of human rationality that often lead to bubbles and busts; to the problems of institutions that run amok; to the imperfections of markets — especially financial markets — that can cause the economy's operating system to undergo sudden, unpredictable crashes; and to the dangers created when regulators don't believe in regulation." In part, I paraphrased Krugman's opinion on the flaws of economics as a science. Krugman's view supports my writing.

Problem 2: Dirty money: the art of purchasing politicians politics.

(575 Words)

Since the earliest elections in the United States, money has been a part of politics. However, the amount of money being spent in modern day politics is staggering and increasing at a near exponential rate. Money has enormous leverage over elections and the political decision making process. The largest culprits include dirty energy companies (Coal, Oil, Etc.) and special interest super pacs. To top it off, in 2010 the Supreme Court ruled that the government could not ban political spending in elections. This precedent marked a significant change in the way elections will be conducted in the years to come.

“Dirty” money in politics can be detrimental to society, the environment, and a stable economy. Technologically speaking, dirty money has delayed the transition to clean energy and other sustainable technologies by lobbying against government subsidies, loans, and other incentives for clean technology. Economic stability is unachievable under a technological blockade. On top of blocking the development of sustainable technologies, dirty money has a much more direct impact on the environment. Dirty money, cheap dirty energy, and puppet politicians are disastrous catalyst to environmental destruction. For the sole reasons of money and power, many politicians will choose to explicitly support dirty energy, resulting in accelerated environmental deterioration. Worst of all the environment, technology, politics, and the economy are not the only stakeholders affected; society at large loses the most in this battle. Dirty money is anti-democracy. It rips the rightful power of citizen’s hands. No longer do citizens have the power to elect their governing officials, and no longer do politicians act in the best interest of the citizens they are supposed to serve. Dirty money is the ultimate destructive tool.

As stated earlier, the problem is only getting worse. In October of this year, the house approved a \$20 million backed pro-cal package (233-175). This package approved by 233 members of the house, allows companies to bypass parts of the Clean Air and Clean Water Acts. Sadly, it is not just one side accepting money. Although republicans have taken at least double what democrats have, it is still alarming. An even more current example of dirty money in politics is the 2012 Presidential/General elections that just took place. Overall, \$6 billion was spent in advertisements, making it one of the most expensive campaign seasons of all time. Dirty energy sources spent over \$270 million on the presidential, senate, and house races alone, \$31 million going directly to energy specific ads in only the last two months of the election. It is estimated that during the entire campaign over \$500 million dollars was spent by dirty energy sources, excluding super pacs, towards general ads endorsing coal, oil, and natural gas, and specific ads endorsing individual politicians. The amount of money spent directly by super pacs is in the billions.

The supreme courts ruling in 2010 is very alarming. At the very least there should be a limit on what corporations can spend endorsing politicians and political beliefs. Thankfully, in my opinion, the turnout of the recent elections was a success regardless of the money spent by dirty sources. That being said, what can be done to take the money out of politics so that true democracy can prevail? The first step is simply getting the money out of politics. Citizens must demand a restoration of power. Citizens must demand politicians act in their collective interest. Only then can problems be solved on a national scale.

Problem 2 Bibliography Annotations

1. Liptak, Adam. "Justices, 5-4, Reject Corporate Campaign Spending Limit." *The New York Times*. The New York Times, 22 Jan. 2010. Web. 09 Nov. 2012.
<<http://www.nytimes.com/2010/01/22/us/politics/22scotus.html?pagewanted=all>>.
 - Adam Liptak is the New York Times correspondent for the Supreme Court. Before joining the NY Times in 2002, Adam was a lawyer and columnist. Liptak is a Yale graduate and experienced critic of the United States legal system. The article provides a relatively unbiased review of the supreme courts citizens united decision. Liptak used quotations, interviews with justices, and a recount of the events to make his argument. The following quotations summarize the article: "The ruling represented a sharp doctrinal shift, and it will have major political and practical consequences. Specialists in campaign finance law said they expected the decision to reshape the way elections were conducted.", "The justices in the majority brushed aside warnings about what might follow from their ruling in favor of a formal but fervent embrace of a broad interpretation of free speech rights.", "Joined by the other three members of the court's liberal wing, Justice Stevens said the majority had committed a grave error in treating corporate speech the same as that of human beings." The article supports my writing in that corporations should have the same rights as humans, and that corporate money can manipulate legal and political systems. I used the general structure of Liptak's argument and quoted his results in my writing.
2. Nielsen, Noreen. "The Final Tally: Big Polluters' Big Ad Spending In The 2012 Elections." *ThinkProgress*. N.p., 07 Nov. 2012. Web. 09 Nov. 2012.
<<http://thinkprogress.org/climate/2012/11/07/1155631/the-final-tally-big-polluters-big-ad-spending-in-the-2012-elections/?mobile=nc>>.
 - Noreen Nielson is the Energy Communication Director for Progressive media at American progress. Nielson's background is in political communications; she has also served as various positions in non-profit democracy and grassroots organizations. Nielson provides a summary of the political spending coming from dirty energy companies during the most recent campaign season. There was not necessarily an argument being made, mainly a summary. The following quotes summarize her article: "It's clear that the voters have spoken and rejected these special interest appeals to keep special tax breaks for Big Oil and their allies and reject pollution reductions. Now it's time to move forward with a clean energy and clean air agenda that protects our health, creates American jobs, secures our energy future, and addresses climate change.", "Not surprisingly, corporate polluters and other dirty energy interests were some of the largest outside spenders in the 2012 campaign cycle.", "In addition to dirty energy groups' direct spending on specific electoral campaigns, they also pumped millions of dollars into generic "branding" campaigns promoting oil, gas, and coal interests." The article supported my research by highlighting the absurdity of the amount of money in politics. I used Nielson's numbers in my writing.

3. Kretzmann, Steve. "Oil Change International." *The Price of Oil*. N.p., 22 Sept. 2012. Web. 09 Nov. 2012. <<http://priceofoil.org/2012/09/22/backed-by-20-million-from-coal-house-members-approve-polluter-giveaway/>>.
 - Steve Kretzmann is the executive director of Oil Change International. He has worked on and written about energy issues for over 20 years. The central argument of the brief article is exposing an example of dirty money influencing politics. These quotes sum up the article: "In a year where fossil fuel groups have pledged to spend hundreds of millions of dollars, the House GOP's last act before November is a symbolic gesture for coal, that [risks Americans' health](#) and [even the coal industry](#) itself.", "Like today's vote, campaign contributions from the coal and coal-dependent utilities industries break clearly across partisan lines", "Over their careers, the 233 members who voted for the Big Coal package have received more than \$20 million over their careers from coal." I used the data from the article to support my statements.